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INTELLIGENCE MEMORANDUM NO. 230

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SUBJECT: Possible Consequences of Soviet Refusal to
Implement the West Berlin Rail Strike Agreement

1. Conclusions.

The Soviet authorities have refused to comply with the terms of the agreement settling the western Berlin rail strike in June 1949, and the Western Commandants have broken off further negotiations on the normalization of affairs in Berlin. On 30 September the Magistrat stopped its conversion of 40 percent of railworkers' wages from east marks to west marks. Under these circumstances, CIA estimates that the following consequences may result:

(a) a renewed rail strike against the Soviet-controlled Reichsbahn;

(b) attendant violence which may result in the destruction of Reichsbahn property and facilities;

(c) Soviet reprisals.

Should these consequences materialize, CIA estimates that traffic between western Berlin and western Germany would be paralyzed, and the present serious economic condition of west Berlin would be worsened, with the political results which this implies.

2. Discussion.

In several respects, the economic position of west Berlin has deteriorated since the lifting of the blockade in May 1949. In addition to a declining industrial production and steadily rising unemployment, the Magistrat has been faced with most serious financial difficulties arising from shortage of cash and lack of credit. Although additional financial assistance has been promised from ECA counterpart funds and western German subsidies, none of this has been made available to date, and feeling in western Berlin is becoming embittered at the apparent neglect of western Berlin interests by the western occupation authorities.

The situation caused by Soviet refusal to implement the terms of the agreement ending the west Berlin rail strike in June 1949 is assuming particularly serious proportions. According to the strike settlement the Soviet-controlled Reichsbahn authorities agreed to the following conditions:

- (a) to refrain from reprisals against strikers;
- (b) to pay railworkers resident in the west sectors a minimum of 60 percent of their wages in west marks, regardless of their place of employment;
- (c) to increase the west mark payment above the 60 percent level to the extent permitted by Reichsbahn income of west marks; and
- (d) to collect west sector fares and freight charges exclusively in west marks to secure sufficient income to meet west-mark wage obligations. In turn, the Berlin Magistrat was to convert the remaining 40 percent of railworkers' wages into west marks on a one-to-one basis, to reduce this conversion as Reichsbahn west mark payment increased, and to terminate conversion entirely on 30 September 1949.

The western Commandants contend that the Reichsbahn has consistently violated the terms of this agreement by:

- (a) dismissing west-sector workers or transferring them to new places of employment in the east sector on threat of dismissal;
- (b) paying west-sector residents employed in the east sector exclusively in east marks; and
- (c) refusing to increase payment in west marks over the 60 percent level even though Reichsbahn receipts in west marks are estimated as sufficient to permit full payment of wages in west marks.

Two letters of protest addressed by the western Commandants to the Soviet Commandant have been rejected by General Kvashnin, SMA chief of transport in the Soviet Zone. Kvashnin not only denied the above allegations but asserted that repairs to the damage done the Reichsbahn by the strike would require all the west-mark income now available. This rejection led to a decision of the western Commandants to break off further negotiations between the Commandants on the normalization of affairs in Berlin. This action was taken on 28 September. They have also ordered that the Magistrat stop its conversion of 40 percent of the west-sector railworkers' wages on 30 September.

The consequences of this impasse to US interests are as follows:

- (a) the reduction in real wages of the west-sector railworkers may lead to an organized strike or to wild-cat strikes and acts of sporadic violence against Reichsbahn property, thus inviting Soviet reprisals;

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(b) a west Berlin rail strike, in combination with Soviet reprisals, could paralyze rail access to Berlin from western Germany. The interruption or suspension of rail traffic would seriously hinder the efforts of west Berlin in its present depleted economic condition to maintain itself.

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